

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOHN W. PARSONS, ESQ., *Executive Director*

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MEMORANDUM

TO: Melrose Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: November 23, 2021

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY22 (since the amount under the prior schedule was maintained in FY22) and is acceptable under Chapter 32.

The schedule reflects a \$16,000 COLA base. Despite the increase in liabilities associated with the increased COLA base, the FY23 appropriation is less than the FY23 appropriation under the prior schedule as gains since the 2019 valuation were used in developing the schedule. We would have preferred a FY23 appropriation amount at least as great as the prior schedule due to the increased COLA base and the issues noted in the following two paragraphs. The City Council will determine whether to approve the increased COLA base early next year.

We note that the Board adopted a 7.25% investment return assumption which is a reduction from the prior assumption of 7.50%. However, for comparison, 35 systems currently use an assumption of 7.0% or below. There are 75 systems using an assumption of 7.25% or below. We are generally recommending an assumption of 7.0% or less in our 2021 valuations.

As was the case with your prior funding schedule, this schedule completes the amortization of the unfunded actuarial liability (UAL) in FY37. Although this is allowable, our recommendation for almost 10 years has been for systems to establish funding schedules that complete the amortization of the UAL by FY35 at the latest. This allows systems some flexibility in the event of another market downturn. Only 22 systems have amortization schedules that extend beyond FY35 and half of these complete the amortization by FY36. We believe the FY35 date would be attainable with modest adjustments to the schedule. We are available to discuss alternative ways a FY35 schedule could be accomplished.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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Enc.



MELROSE RETIREMENT SYSTEM
FUNDING SCHEDULE with 3(8)(C) - 15 years: 4% amortization
 RP-2014 adjusted to 2006, projected generationally using MP-2020; 7.25% Discount Rate; \$16k COLA

<u>Funding Appropriation</u>						
Fiscal Year	Unfunded Liability	Net Normal Cost	Funding Amortization of UAAL	Amortization of Recognized Asset Loss/(Gain)	Net 3(8)(c) Payments	Schedule Contribution
2023	66,410,270	1,721,559	5,443,276	-	53,423	7,218,258
2024	65,387,101	1,799,029	5,661,007	-	53,423	7,513,459
2025	62,423,871	1,879,985	5,887,448	(150,032)	53,423	7,670,824
2026	60,796,223	1,964,585	6,122,946	(156,033)	53,423	7,984,920
2027	56,257,375	2,052,991	6,367,863	(431,064)	53,423	8,043,214
2028	53,968,817	2,145,376	6,622,578	(448,306)	53,423	8,373,070
2029	51,259,650	2,241,918	6,887,481	(466,238)	53,423	8,716,583
2030	48,089,192	2,342,804	7,162,980	(484,888)	53,423	9,074,319
2031	44,413,404	2,448,230	7,449,500	(504,283)	53,423	9,446,869
2032	40,184,631	2,558,400	7,747,480	(524,455)	53,423	9,834,848
2033	35,351,323	2,673,528	8,057,379	(545,433)	53,423	10,238,897
2034	29,857,732	2,793,837	8,379,674	(567,250)	53,423	10,659,684
2035	23,643,593	2,919,560	8,714,861	(589,940)	53,423	11,097,903
2036	16,643,777	3,050,940	9,063,455	(613,538)	53,423	11,554,280
2037	8,787,914	3,188,232	9,425,993	(638,079)	53,423	12,029,569
2038	(0)	3,331,703	-	-	53,423	3,385,126

Amortization of Unfunded Liability as of July 1, 2022

Year	Type*	Original Base	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2023	Fresh Start	66,410,270	5,443,276	4.000%	15	5,443,276	15
2025	Asset Gain	(1,632,364)	(150,032)	4.000%	13	-	13
2027	Asset Gain	(2,547,060)	(268,789)	4.000%	11	-	11

* Asset Gain/Loss is the amount recognized by the smoothing method in the year shown